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1951

Your future in public accounting: [pattern speech]

American Institute of Accountants

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MAY 22 1951

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(Pattern speech)

Adaptation of speech written by John L. Carey

YOUR FUTURE IN PUBLIC ACCOUNTING

Mr. Chairman, etc. -

There are only two known ways to make donkeys work.

The first is by holding out a carrot at the front end. The second is by applying a stick to the other.

People--at least in this one respect--are not so different from donkeys. Most of us will work only in hope of reward or in fear of punishment.

Fear rules those who live in a dictatorship; but, in a free country, hope is the incentive. Of course, if that hope is limited to acquiring the mere essentials of life, then we are apt to do only a minimum of work--and a minimum of work is never enough either to promote an individual's prosperity or to raise a nation's standard of living.

The two principal ways of obtaining rewards are these: receiving wages by working for someone else, or securing a profit by working for yourself.

The difference is not as great as many people think.

Let us assume that you are going to cut a neighbor's lawn. If you use his mower and charge him seventy-five cents an hour, you are receiving wages for your labor. However, if you make a contract with someone who doesn't own a mower to keep his lawn trimmed all summer, and you buy your own mower for that purpose, you then become a capitalist, and you will naturally find it necessary to charge a price high enough to get back the cost of the lawn mower over the period of its useful life as well as to pay you for your labor. If you should hire other people and buy more lawn mowers to take on additional contracts, you will also have to charge a little extra--over and above actual expenses--for your time and effort in managing the firm. Since you own the business, your reward will be considered "profit".

With more business, more men and more tools, you may branch out into other services. You may then have to rent an office; hire an assistant to answer inquiries by phone or mail; pay taxes on profits; buy license plates for trucks and keep them in repair; replace worn-out or damaged equipment; devise over-time pay schedules; keep social security tax records . . . and so forth.

You may now be taking in money and spending it so fast that you won't be able to tell whether you have made a profit for the year or not. Certainly at this point, if not before, you will need the help of a certified public accountant to learn the answer to that more-than-\$64 question.

You will need his help for another reason. In order to expand your business, acquire new machinery, and hire a larger labor force, you must have more money--or "working capital". You may borrow this from the banks, or you may sell stocks or bonds in your company to the public. In either case, you are using other people's money; and they have a natural curiosity about what you are doing with it. Therefore, they ask you to furnish balance sheets and income statements audited by certified public accountants.

What does this mean?

It means that you engage a certified public accountant to inspect your books, records and property, and then to prepare financial statements showing what you own, what you owe others, and what profits you made in the year just ended. The CPA will also add his own opinion saying in effect that, as a result of looking into the situation, he believes the statements fairly present the facts. Because he is qualified for this work by education, experience and examination; because he is independent in his approach and has no financial interest in the business under review; because he is governed by strict professional ethics--because of all these factors, people who have invested money in your firm are likely to put a good deal of reliance on what he says.

The CPA's basic task, in other words, is to measure income. He measures it for your guidance as a management executive, so that you can judge whether you are operating efficiently or not. He measures it for the information of your stockholders, bondholders, banks or other creditors, who want to know how their invested capital is being used. And he measures it for the purpose of ensuring that you pay the right amount in taxes--neither too much nor too little.

In doing this basic job, of course, the certified public accountant renders a lot of other services.

He may represent you in discussions with government officials about a difficult tax question. He may install an accounting system to assist you in keeping track of your business operations. He may testify in court on accounting and financial matters involved in lawsuits. Or he may appear before the Securities and Exchange Commission, with which you must file a financial statement if your company's securities are listed on stock exchanges.

How does one get to be a certified public accountant?

Sixty or seventy per cent of the young men and women now entering the profession are college graduates. Many CPAs believe that an ideal preparation for an accounting career would be a liberal-arts course in college, followed by post-graduate work in accounting. But this advanced education is not essential, and a good many young people cannot afford it.

After leaving college, it is customary to obtain a little practical experience on the job.

The final step is the CPA examination, which is given by state boards and is generally uniform throughout the country. It takes two-and-one-half days--and it is not easy. It cannot be easy if the public's confidence in the CPA certificate as a standard of competence is to be maintained.

How can one judge whether or not he has the personal qualities

which will make for success in accounting?

Success in this field, of course, depends partly on the same factors which control progress in any field: a good mind, sound training, personality, and both the energy and the willingness to work hard. But, in addition, the successful accountant usually has an interest in the interpretation of facts and figures, and in the orderly presentation of information. He should be able to use the English language with precision and clarity. He does not have to be a mathematical wizard; but he should be able to handle figures with ease and to understand the relationships between them.

Incidentally, the American Institute of Accountants has developed aptitude tests which help to reveal whether or not a young person has these and other qualities which are likely to make him a success in the accounting field.*

What are the career opportunities?

Accounting has been called the fastest growing profession in the United States--and this is not a fanciful statement. It is a fact. Twenty-five years ago there were only 5,000 CPAs in the entire country. Today, there are about 40,000--a growth of about seven hundred per cent. The demand for accounting services will continue to increase as long as business continues to grow more complex; and business, of course, is becoming more and more involved all the time. At the present moment, public accounting firms are hard-pressed to find experienced CPAs available for employment.

At the beginning of this talk, I said that, as free men, we work in hope of rewards--we pursue the carrots. Well, what kind of carrots can one expect in accounting? How much money does a CPA make?

On the whole, he makes as much as doctors, lawyers, dentists, engineers, and other professional men. Some studies of this subject reveal, in fact, that

* Information about these tests can be obtained by writing to the American Institute of Accountants, 270 Madison Avenue, New York 16, New York.

he averages just a little bit more. The top partner in a successful accounting firm may make as much as \$50,000 a year or even more. Naturally, a young accountant must begin at the bottom at a minimum salary; but, if he has ability, he can advance quickly.

All of the rewards for work, of course, cannot be stated in dollars-and-cents. Most people, in addition to making a living, want a job which contributes to the welfare of their community and nation. The social importance of accounting is becoming more and more widely recognized. The interests of labor, consumers, investors and government in the income of business firms require an independent fact-finder upon whom all can rely. The CPA, in performing that vital role, makes an outstanding contribution.

Today, he has another opportunity. American business faces a dual challenge in the current emergency. It must produce enough military goods to deter aggression against the free nations of the world or, if war should come, to insure their survival. At the same time, it must continue to maintain in America and to stimulate abroad a high standard of living. It can perform both of these tasks if it operates at peak efficiency--and, in achieving that goal, it will depend upon the CPA for expert accounting advice.

Going back to my opening: free men work in hope of rewards, while the people of a dictatorship slave in fear of punishment. Only the faint-hearted will ever doubt the outcome of any contest between them.

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Note to speaker: Further information on the career aspects of public accounting may be obtained from the American Institute's recent pamphlet, "A Career in Public Accounting".